

AMENDED IN SENATE JUNE 2, 2003  
AMENDED IN SENATE MAY 21, 2003  
AMENDED IN SENATE APRIL 24, 2003  
AMENDED IN SENATE APRIL 9, 2003  
AMENDED IN SENATE MARCH 25, 2003

**SENATE BILL**

**No. 21**

**Introduced by Senator Machado**

December 2, 2002

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An act to amend Section 11361 of the Government Code, and to add Sections 79505.5, 79506.5, 79506.7, 79506.9, 79522, 79532, 79533, 79534, 79535, 79540.1, 79541.1, 79542.1, 79543.1, 79544.1, 79544.2, 79547, 79547.2, 79555, 79560.5, 79562.5, 79564.1, 79564.5, 79568.5, and 79571.5 to, and to add Chapter 10.7 (commencing with Section 79579) to Division 26.5 of, the Water Code, relating to water.

LEGISLATIVE COUNSEL'S DIGEST

SB 21, as amended, Machado. Water: Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002.

(1) The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002, an initiative measure approved by the voters at the November 5, 2002, statewide general election, authorizes the state to issue general obligation bonds in the amount of \$3,440,000,000 for the purposes of the act.

This bill would require various state agencies, ~~including the State Department of Health Services, the State Water Resources Control Board, and the Department of Water Resources,~~ to establish guidelines

for the purposes of implementing the act. The bill would require each state agency disbursing grants or loans pursuant to the act in accordance with a competitive process to conduct 2 public meetings to consider public comments prior to adopting those guidelines.

The bill, *with a certain exception*, would ~~authorize~~ *require* state agencies implementing certain provisions of the act to include in these guidelines a requirement for matching funds ~~but only if the guidelines include a waiver process for economically disadvantaged communities and severely economically disadvantaged communities~~. The bill would require those state agencies to include in those guidelines a preference for grants ~~to~~ *for eligible projects that are designed to assist economically disadvantaged communities and severely economically disadvantaged communities*. The bill would require each state agency to inform the Legislature as to its guidelines and would authorize the allocation of bond funds subject to those respective guidelines 60 days after the date on which the state agency informs the Legislature. The bill would require state agencies that are required to implement certain provisions of the act to inform the Legislature as to each recipient of bond funds, the amount of each expenditure made during the previous fiscal year, and the amount of bond funds available for implementation of those respective provisions of the act.

The bill would require state agencies to award grants pursuant to certain provisions of the act on a ~~competitive~~ statewide *competitive* basis and would require the State Department of Health Services to allocate certain grant money available to southern California water agencies on a competitive basis for projects to reduce Colorado River water use, including projects undertaken jointly with other entities.

~~The bill would declare the intent of the Legislature, of the funds made available for the purposes of desalination projects, to enact subsequent legislation, to appropriate at least \$10,000,000 for feasibility studies.~~

The bill would require funds made available by the act for the purposes of a public drinking water system security program to be appropriated to the State Department of Health Services, and ~~upon appropriation of funds for that purpose, would require the state department and the Office of Health Hazard Assessment to conduct a program to identify unregulated substances for the purposes of carrying out that security program~~ *would require the state department to consult with state agencies that carry out responsibilities for the protection of the public from terrorist attacks for the purposes of carrying out that*



*program.* The bill would establish various other requirements relating to the implementation of the act.

(2) Existing law requires state agencies to adopt regulations in accordance with prescribed procedures and requirements and requires the Office of Administrative Law to review adopted regulations and to make certain determinations.

This bill would exempt the adoption or revision of regulations, guidelines, or criteria that implement the act from those provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares the  
2 following:  
3 In order to protect the intent of the voters in approving the Water  
4 Security, Clean Drinking Water, Coastal and Beach Protection Act  
5 of 2002 (Division 26.5 (commencing with Section 79500) of the  
6 Water Code), it is necessary and desirable that that act be  
7 implemented in furtherance of all of the following general  
8 principles:  
9 (a) To support projects that maximize the efficient and  
10 ecologically integrated use of water.  
11 (b) To achieve multiple benefits, *where appropriate*, with  
12 respect to water quality.  
13 (c) To support projects that benefit economically  
14 ~~disadvantaged communities and severely economically~~  
15 disadvantaged communities.  
16 (d) To promote projects that will utilize matching funds,  
17 allowing for a reduction or waiver of matching funds, where  
18 possible, to promote the participation of economically  
19 ~~disadvantaged communities and severely economically~~  
20 disadvantaged communities.  
21 (e) To ensure the expeditious disbursement of bond funds by  
22 state agencies for approved projects.  
23 (f) To require water-related projects to attain and maintain  
24 water quality standards that fully protect the beneficial uses of all  
25 of the state's waters.  
26 (g) To promote projects that are consistent with nonpoint  
27 source pollution control regulations, water quality monitoring

1 programs, aquatic invasive species control projects, and the  
2 identification and restoration of impaired waters under state and  
3 federal laws.

4 (h) To support projects that facilitate compliance with ongoing  
5 programs and policies to improve the quality of the state's waters.

6 (i) To support water supply and property acquisition projects  
7 that are consistent with state planning priorities ~~as identified in the~~  
8 ~~State Environmental Goals and Policy Report and to promote~~  
9 *pursuant to Section 65041.1 of the Government Code and to*  
10 *promote* water projects within already developed areas to  
11 consolidate existing development and to discourage sprawl.

12 (j) To require, where appropriate, that projects include a  
13 monitoring component, including standardized protocols for  
14 integrating findings into a statewide monitoring program,  
15 including, but not limited to, the surface water ambient monitoring  
16 program carried out by the State Water Resources Control Board.

17 (k) To require, where appropriate, the coordination of  
18 statewide groundwater monitoring, including monitoring  
19 undertaken by the State Water Resources Control Board, the State  
20 Department of Health Services, the Department of Pesticide  
21 Regulation, and the Department of Water Resources, consistent  
22 with the Groundwater Quality Monitoring Act of 2001 (Part 2.76  
23 (commencing with Section 10780) of Division 6 of the Water  
24 Code).

25 (l) To require, to the extent feasible, a monitoring and reporting  
26 plan that does all of the following:

27 (1) Identifies the source or sources of pollution or degradation  
28 to be prevented or reduced by the project, or the ecological  
29 restoration to be achieved by the project.

30 (2) Describes the baseline water quality or ecological condition  
31 within the project boundaries.

32 (3) Explains the manner in which the project will be effective  
33 in preventing or reducing pollution or demonstrating the desired  
34 ecological result.

35 (4) Describes the monitoring program, including, but not  
36 limited to, the methodology, frequency, and duration of  
37 monitoring.

38 (m) To require, where appropriate, acquisition projects that  
39 promote the preservation of California's natural heritage to be  
40 consistent with the *criteria for participation in the* Natural

Heritage Preservation Tax Credit Act of 2000 (Division 28 (commencing with Section 37000) of the Public Resources Code), *as set forth in Section 37015 of the Public Resources Code.*

(n) To require agencies that implement that act to report annually on all of the following matters:

(1) The public consultation process, and the adoption of implementing guidelines and procedures, including procedures for assessing the cumulative effect of projects to improve the state's environment.

(2) The geographic distribution of funds allocated pursuant to that act and the *intended* public benefits provided by those expenditures.

(3) The balance of funds available by that act for expenditures, including expenditures for loans and grants.

(o) *To require loans and grants made available by that act to be awarded on a competitive basis.*

SEC. 2. Section 11361 of the Government Code is amended to read:

11361. This chapter does not apply to the adoption or revision of regulations, guidelines, or criteria to implement the Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (the Villaraigosa-Keeley Act) (Chapter 1.692 (commencing with Section 5096.300) of Division 5 of the Public Resources Code) or the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Division 26.5 (commencing with Section 79500) of the Water Code).

SEC. 2.5. Section 79505.5 is added to the Water Code, to read:

79505.5. As used in this division, the following terms shall have the following meanings:

(a) "Economically disadvantaged community" means a ~~community with an annual median household income of thirty-seven thousand dollars (\$37,000) or more, but less than forty-seven thousand dollars (\$47,000), and an unemployment rate that is more than 7 percent, but not more than 9 percent, based~~ *community that includes one or more census tracts with an annual median household income that is less than 80 percent of the statewide annual median household income, based on the most recent federal census.*

(b) “Ecosystem restoration” means projects that demonstrate the capability of contributing to sustained, long-term water quality or ecological restoration or protection benefits for a period of at least 20 years, address the causes of degradation rather than the symptoms, and are consistent with water quality and resource protection plans prepared, implemented, or adopted by the state board or the applicable regional board.

~~(c) “Matching funds” means either of the following:~~

~~(1) Funds made available by other than this division in the amount at least 50 percent of the amount of funds made available by this division.~~

~~(2) Donated services from nonstate sources, the value of which equals at least 50 percent of the amount of funds made available by this division.~~

~~(d) “Safe drinking water standards” means state and federal safe drinking water standards and maximum contaminate levels~~

~~(e) “Matching funds” means funds made available by nonstate sources, donated services from nonstate sources, or both.~~

~~(d) “Safe drinking water standards” means maximum contaminate levels~~

~~(c) “Matching funds” means funds made available by nonstate sources, donated services from nonstate sources, or both.~~

~~(d) “Safe drinking water standards” means maximum contaminate levels and action levels, including the United States Environmental Protection Agency’s Stage 1 Disinfectants and Disinfection By-Products Rule.~~

~~(e) “Severely economically disadvantaged community” means a community with an annual median household income of less than thirty-seven thousand dollars (\$37,000) or an unemployment rate that is more than 9 percent, based on the most recent federal census.~~

SEC. 2.7. Section 79506.5 is added to the Water Code, to read:

79506.5. (a) On or before March 15, 2004, each state agency disbursing grants or loans pursuant to this division in accordance with a competitive process shall conduct two public meetings to consider public comments prior to adopting guidelines. *Each state agency, at a minimum, shall publish the draft solution and evaluation guidelines on its Internet Web site at least 30 days before the public meetings.* One meeting shall be conducted at a location in northern California and one meeting shall be conducted

1 at a location in southern California. *Upon adoption of the*  
2 *guidelines, each state agency shall submit copies of the guidelines*  
3 *to the appropriate policy committees of the Legislature.*

4 (b) To the extent feasible, each state agency shall provide  
5 outreach to economically disadvantaged communities ~~and~~  
6 ~~severely economically disadvantaged communities~~ to promote  
7 their access to and participation in these meetings.

8 (c) Subdivisions (a) and (b) do not apply to any of the  
9 following:

10 (1) Loans awarded pursuant to paragraph (6) of subdivision  
11 (a) of Section 79530.

12 (2) Acquisitions made pursuant to Section 79541.

13 (3) Acquisitions made pursuant to Section 79542.

14 (4) Expenditures, grants, and loans made pursuant to Section  
15 79543.

16 (5) Grants awarded pursuant to Section 79544.

17 (6) Expenditures, grants, and loans made pursuant to Chapter  
18 7 (commencing with Section 79550).

19 (7) Expenditures and grants made pursuant to Chapter 9  
20 (commencing with Section 79567).

21 (8) Expenditures and grants made pursuant to Chapter 10  
22 (commencing with Section 79570).

23 SEC. 2.8. Section 79506.7 is added to the Water Code, to  
24 read:

25 79506.7. State agencies authorized to award loans or grants  
26 financed by this division shall provide technical assistance with  
27 regard to the preparation of applications for those loans or grants  
28 in a manner that, among other things, addresses the needs of  
29 economically disadvantaged communities.

30 SEC. 2.9. Section 79506.9 is added to the Water Code, to  
31 read:

32 79506.9. (a) (1) Subject to paragraph (2), a state agency  
33 imposing a matching fund requirement for the purposes of  
34 awarding a grant financed by this division shall require matching  
35 funds to constitute at least 50 percent of the total cost of the  
36 program, project, or expenditure.

37 (2) A state agency may not require matching funds for the  
38 purposes of awarding a grant financed by this division to assist an  
39 economically disadvantaged community, except as follows:



1 (A) For the purposes of awarding a grant pursuant to  
2 subdivision (a) of Section 79545, the department shall impose  
3 matching fund requirements in accordance with subdivision (a) of  
4 Section 79545.

5 (B) For the purposes of awarding a grant subject to Section  
6 79564, the board shall impose matching fund requirements in  
7 accordance with subdivision (b) of Section 79564.

8 (c) Each state agency awarding a grant pursuant to this  
9 division that requires matching funds shall establish criteria for  
10 assessing eligible donated services.

11 SEC. 3. Section 79522 is added to the Water Code, to read:

12 79522. (a) (1) Funds made available pursuant to Section  
13 79520 shall be appropriated to the State Department of Health  
14 Services to carry out this chapter.

15 ~~(2) Upon appropriation of funds made available pursuant to~~  
16 ~~Section 79520 for that purpose, the State Department of Health~~  
17 ~~Services and the Office of Environmental Health Hazard~~  
18 ~~Assessment shall conduct a program to identify unregulated~~  
19 ~~substances and to establish action levels for the protection of~~  
20 ~~drinking watersources and potential drinking water sources for the~~  
21 ~~purposes of carrying out this chapter.~~

22 ~~(b) (1) Subject to paragraph (2), the State Department of~~

23 (2) For the purposes of implementing this chapter, the State  
24 Department of Health Services shall regularly consult with state  
25 agencies that carry out responsibilities for the protection of the  
26 public from terrorist attacks or deliberate acts of destruction or  
27 degradation.

28 (b) Subject to Section 79506.9, the State Department of Health  
29 Services, to the maximum extent possible, shall award grants  
30 under this chapter to entities that provide matching funds.

31 ~~(2) The State Department of Health Services shall seek to~~  
32 ~~award grants under this chapter in a manner that provides for the~~  
33 ~~equitable distribution of funds between the northern and southern~~  
34 ~~regions of the state.~~

35 ~~(c) The State Department of Health Services shall develop~~  
36 ~~project solicitation and evaluation guidelines and shall inform the~~  
37 ~~Legislature as to those guidelines.~~

38 ~~(d)~~

39 (c) For projects relating to monitoring and early warning  
40 systems, preference shall be given to affordable, rapid diagnostic



1 devices that can identify multiple contaminants in drinking water,  
2 including unregulated substances.

3 ~~(e)~~

4 (d) Funds for awarding grants under this section are available  
5 for allocation 60 days after the date on which the State Department  
6 of Health Services informs the Legislature ~~on~~ *with regard to* the  
7 project solicitation and evaluation guidelines.

8 ~~(f)~~

9 (e) Beginning January 1, 2005, the State Department of Health  
10 Services shall inform the Legislature as to the recipient and the  
11 amount of each grant awarded during the previous fiscal year  
12 under this chapter. The information shall include data on the  
13 geographic distribution of grants awarded under this chapter and  
14 the intended public benefit those grants provide. The information  
15 shall also include data on the balance of funds available under this  
16 chapter for grants in that current fiscal year and future fiscal years.

17 SEC. 4. Section 79532 is added to the Water Code, to read:

18 79532. (a) Funds made available pursuant to subdivision (b)  
19 of Section 79530 shall be administered in accordance with this  
20 section.

21 (b) Grants shall be awarded on a competitive basis among  
22 southern California water agencies.

23 (c) For the purposes of this chapter, “southern California water  
24 agencies” means water agencies whose service area is entirely or  
25 partly in one or more of the following counties: San Diego,  
26 Imperial, Riverside, Orange, Los Angeles, San Bernardino, or  
27 Ventura.

28 (d) Grants may be awarded to southern California water  
29 agencies for projects undertaken jointly by one or more southern  
30 California water agencies and other entities.

31 (e) A project funded by a grant made pursuant to subdivision  
32 (b) of Section 79530 shall meet both of the following  
33 requirements:

34 (1) The project will assist the grantee to meet safe drinking  
35 water standards.

36 (2) The project will assist the grantee to meet the state’s  
37 commitment to reduce Colorado River water use to 4.4 million  
38 acre-feet per year.

39 SEC. 5. Section 79533 is added to the Water Code, to read:

1 79533. (a) For the purposes of carrying out Section 79530,  
2 the State Department of Health Services shall develop project  
3 solicitation and evaluation guidelines. ~~The guidelines may~~ *Subject*  
4 *to Section 79506.9, the guidelines shall include a requirement for*  
5 ~~matching funds, but only if the guidelines also include a waiver~~  
6 ~~process for economically disadvantaged communities and~~  
7 ~~severely economically disadvantaged communities requirement~~  
8 *for matching funds.* The guidelines may also include a cap on the  
9 size of grants awarded pursuant to Section 79530. The guidelines  
10 shall include a preference for grants ~~to~~ *for eligible projects that are*  
11 *designed to assist economically disadvantaged communities and*  
12 ~~severely economically disadvantaged communities.~~ *The*  
13 *guidelines adopted to implement subdivision (a) of Section 79530*  
14 *may differ from those adopted to implement subdivision (b) of*  
15 *Section 79530.*

16 (b) The State Department of Health Services shall inform the  
17 Legislature as to the project solicitation and evaluation guidelines  
18 developed under this section. Funds for awarding grants pursuant  
19 to Section 79530 are available for allocation 60 days after the date  
20 on which the State Department of Health Services informs the  
21 Legislature.

22 ~~(c) A project may only receive funds made available by~~  
23 ~~subdivision (a) or subdivision (b) of Section 79530, and is not~~  
24 ~~eligible for funding under both subdivisions (a) and (b) of Section~~  
25 ~~79530.~~

26 ~~(d)~~

27 (c) For the purposes of this chapter, “small community” means  
28 a municipality with a population of 3,300 person or fewer, or 1000  
29 ~~communities connections~~ or fewer.

30 SEC. 6. Section 79534 is added to the Water Code, to read:

31 79534. (a) Funds made available pursuant to paragraphs (1)  
32 to (5), inclusive, of subdivision (a) of Section 79530, and not for  
33 the purposes of subdivision (b) of that section, shall be  
34 administered in accordance with this section.

35 (b) Grants shall be awarded on a statewide competitive basis.  
36 *A project that is eligible for funding for the purposes of subdivision*  
37 *(b) of Section 79530 is not eligible for a grant subject to this*  
38 *section.*

(c) To be eligible for a grant pursuant to subdivision (a) of Section 79530, the applicant shall demonstrate that the project will assist the grantee to meet safe drinking water standards.

(d) For the purposes of implementing subdivision (a) of Section 79530, the State Department of Health Services shall assign a preference to eligible projects that are designed to achieve a public health goal.

SEC. 7. Section 79535 is added to the Water Code, to read:

79535. Beginning January 1, 2005, the State Department of Health Services shall inform the Legislature as to the recipient and the amount of each grant awarded during the previous fiscal year under this chapter. The information shall include data on the geographic distribution of grants awarded under this chapter and the intended public benefit those grants provide. The information shall also include data on the balance of funds available under this chapter for grants in that current fiscal year and future fiscal years.

SEC. 8. Section 79540.1 is added to the Water Code, to read:

79540.1. (a) Funds made available pursuant to Section 79540 shall be administered in accordance with this section.

(b) Grants shall be awarded on a statewide competitive basis.

(c) The board shall develop project solicitation and evaluation guidelines. ~~The guidelines may Subject to Section 79506.9, the guidelines shall include a requirement for matching funds, but only if the guidelines also include a waiver process for economically disadvantaged communities and severely economically disadvantaged communities. The matching funds.~~ The guidelines may also include a cap on the size of grants awarded pursuant to this section. The guidelines shall include a preference for grants to economically disadvantaged communities and severely economically disadvantaged communities. *for grants for eligible projects that are designed to assist economically disadvantaged communities.*

(d) For the purposes of financing eligible projects, the board shall assign a preference to all of the following projects:

(1) Projects for which the board determines that the applicant has made appropriate commitment to expedite the implementation of a total maximum daily load program or a commitment to achieve water quality objectives.

~~(2) Projects that implement enforceable programs that have a clearly defined process for achieving and maintaining water~~

1 ~~quality standards. For the purposes of this paragraph,~~  
2 ~~“enforceable programs” means \_\_\_\_\_.~~

3 ~~(3) Projects that implement best management practices in~~  
4 ~~accordance with “Phase II” of the national pollution discharge~~  
5 ~~elimination system stormwater program as set forth in Part 122 of~~  
6 ~~Title 40 of the Code of Federal Regulations.~~

7 ~~(4) Projects that implement an approved total maximum daily~~  
8 ~~load program, implement best management practices in~~  
9 ~~accordance with waivers granted by, or waste discharge~~  
10 ~~requirements prescribed by, a regional board or the state board, or~~  
11 ~~implement a watershed management plan approved by a regional~~  
12 ~~board or the state board. An eligible project under this paragraph~~  
13 ~~includes both of the following:~~

14 ~~(A) A project that implements a total maximum daily load plan~~  
15 ~~that has been approved by the applicable regional board.~~

16 ~~(B) A project that implements waste discharge requirements, or~~  
17 ~~conditional waivers of waste discharge requirements, that were~~  
18 ~~adopted by the applicable regional board to replace waivers of~~  
19 ~~waste discharge requirements that expired pursuant to subdivision~~  
20 ~~(b) of Section 13269, if all of the following applies:~~

21 ~~(i) The project implements best available pollution prevention~~  
22 ~~practices pursuant to an individual pollution prevention plan.~~

23 ~~(ii) The project includes benchmarks, load reduction, or~~  
24 ~~performance standards.~~

25 ~~(iii) The project includes a monitoring component to assess the~~  
26 ~~effectiveness of the adopted pollution prevention practices.~~

27 ~~(iv) The application for the project is accompanied by a copy~~  
28 ~~of the applicant’s report of waste discharge to the appropriate~~  
29 ~~regional board for the waste stream addressed by the project.~~

30 ~~(2) Projects that implement enforceable programs that have a~~  
31 ~~clearly defined process for achieving and maintaining water~~  
32 ~~quality standards. For the purpose of this paragraph an~~  
33 ~~“enforceable program” is a program developed in accordance~~  
34 ~~with approved waste discharge requirements or waivers of waste~~  
35 ~~discharge requirements that require, at a minimum, all of the~~  
36 ~~following:~~

37 ~~(A) The implementation of best available pollution prevention~~  
38 ~~practices pursuant to an individual pollution prevention plan.~~

1 (B) Clear benchmarks, load reductions, or performance  
2 standards that demonstrate progress towards achievement or  
3 maintenance of water quality standards.

4 (C) A monitoring component to assess the effectiveness of the  
5 adopted pollution prevention practices.

6 (D) The submission of a report of waste discharge to the  
7 appropriate regional board for the waste stream addressed by the  
8 project.

9 (3) Projects that implement best management practices in  
10 accordance with “Phase II” of the national pollutant discharge  
11 elimination system stormwater program, as set forth in Part 122  
12 of Title 40 of the Code of Federal Regulations.

13 (4) Projects that implement on or more of the following:

14 (A) An approved total maximum daily load program.

15 (B) Best management practices in accordance with waivers  
16 granted by, or waste discharge requirements prescribed by, a  
17 regional board or the state board.

18 (C) A watershed management plan approved by a regional  
19 board or the state board.

20 (e) The board shall inform the Legislature as to the project  
21 solicitation and evaluation guidelines developed under this  
22 section. Funds for awarding grants pursuant to Section 79540 are  
23 available for allocation 60 days after the date on which the board  
24 informs the Legislature.

25 (f) Beginning January 1, 2005, the board shall inform the  
26 Legislature as to the recipient and the amount of each grant  
27 awarded the previous fiscal year pursuant to Section 79540. The  
28 information shall include data on the geographic distribution of  
29 grants awarded under Section 79540 and the intended public  
30 benefit those grants provide. The information shall also include  
31 data on the balance of funds available under Section 79540 for  
32 grants in that current fiscal year and future fiscal years.

33 SEC. 9. Section 79541.1 is added to the Water Code, to read:

34 79541.1. Beginning January 1, 2005, the secretary shall  
35 inform the Legislature as to the recipient and the amount of each  
36 expenditure, loan, or grant awarded during the previous fiscal year  
37 pursuant to Section 79541. The information shall include data on  
38 the geographic distribution of those expenditures, loans, or grants  
39 awarded under Section 79541 and the intended public benefit  
40 those expenditures, loans, or grants provide. The information shall

1 also include data on the balance of funds available under Section  
2 79541 for expenditures, loans, or grants in that current fiscal year  
3 and future fiscal years.

4 SEC. 10. Section 79542.1 is added to the Water Code, to read:

5 79542.1. Beginning January 1, 2005, the California Tahoe  
6 Conservancy shall inform the Legislature as to the seller and the  
7 amount of each expenditure made during the previous fiscal year  
8 pursuant to Section 79542. The information shall include data on  
9 the geographic distribution of expenditures under Section 79542  
10 and the intended public benefit those expenditures provide. The  
11 information shall also include data on the balance of funds  
12 available under Section 79542 for expenditures in that current  
13 fiscal year and future fiscal years.

14 SEC. 11. Section 79543.1 is added to the Water Code, to read:

15 79543.1. Beginning January 1, 2005, the board shall inform  
16 the Legislature as to the recipient and the amount of each  
17 expenditure, grant, and loan made during the previous fiscal year  
18 pursuant to Section 79543. The information shall include data on  
19 the geographic distribution of expenditures, grants, and loans  
20 awarded under Section 79543 and the intended public benefit  
21 those expenditures, grants, and loans provide. The information  
22 shall also include data on the balance of funds available under  
23 Section 79543 for expenditures, grants, and loans in that current  
24 fiscal year and future fiscal years.

25 SEC. 12. Section 79544.1 is added to the Water Code, to read:

26 79544.1. The secretary shall require all prospective grantees  
27 for land and water acquisitions pursuant to Section 79544 to  
28 include in the grant application a proposal for the long-term  
29 management of the resource proposed to be acquired. The  
30 proposal shall identify the agency or organization that will hold  
31 title to the resource, including any state or federal agency to which  
32 title may be transferred after acquisition, and the agency or  
33 organization that will be responsible for managing and protecting  
34 the water quality values of the resource.

35 SEC. 13. Section 79544.2 is added to the Water Code, to read:

36 79544.2. Beginning January 1, 2005, the secretary shall  
37 inform the Legislature as to the recipient and the amount of each  
38 acquisition funded during the previous fiscal year pursuant to  
39 Section 79544. The information shall include data on the  
40 geographic distribution of acquisitions funded under Section



1 79544 and the intended public benefit those acquisitions provide.  
2 The information shall also include data on the balance of funds  
3 available under Section 79544 for acquisitions in that current  
4 fiscal year and future fiscal years.

5 SEC. 14. Section 79547 is added to the Water Code, to read:

6 79547. (a) Funds made available pursuant to Section 79545  
7 shall be administered in accordance with this section.

8 (b) Grants shall be awarded on a statewide competitive basis.

9 (c) The department shall develop project solicitation and  
10 evaluation guidelines. The guidelines may also include a cap on  
11 the size of grants awarded pursuant to this chapter.

12 (d) The department shall inform the Legislature as to the  
13 project solicitation and evaluation guidelines developed pursuant  
14 to this section. Funds for awarding grants pursuant to Section  
15 79545 are available for allocation 60 days after the date on which  
16 the department informs the Legislature.

17 (e) Beginning January 1, 2005, the department shall inform the  
18 Legislature as to the recipient and the amount of each grant  
19 awarded during the previous fiscal year under this chapter. The  
20 information shall include data on the geographic distribution of  
21 grants awarded under this chapter and the intended public and  
22 environmental benefit those grants provide. The information shall  
23 also include data on the balance of funds available under this  
24 chapter for grants in that current fiscal year and future fiscal years.

25 ~~(f) Of the funds made available for the purposes of subdivision~~  
26 ~~(a) of Section 79545, it is the intent of the Legislature to enact~~  
27 ~~subsequent legislation to appropriate at least ten million dollars~~  
28 ~~(\$10,000,000) for feasibility studies.~~

29 SEC. 14.5. Section 79547.2 is added to the Water Code, to  
30 read:

31 79547.2. For the purposes of implementing subdivision (a) of  
32 Section 79545, the guidelines established pursuant to Section  
33 79547 shall include a preference for *eligible* projects for which the  
34 ~~project proponent~~ *grant applicant* demonstrates need and that the  
35 project will benefit the environment and will cause no or minimal  
36 negative impacts to the environment. For the purposes of carrying  
37 out this section, the department shall consider all of the following:

38 (a) Impacts relating to saline water intake and outfall with  
39 special consideration of impacts to sensitive habitats, such as



1 coastal wetlands, estuaries, or other sensitive coastal or marine  
2 areas that may result from the implementation of the project.

3 (b) Project treatment of brine.

4 (c) A reduction in amounts of water diverted from streams or  
5 rivers that support endangered or threatened species that may  
6 result from the implementation of the project.

7 (d) A reduction in saltwater intrusion or groundwater overdraft  
8 that may result from the implementation of the project.

9 SEC. 15. Section 79555 is added to the Water Code, to read:  
10 79555. The Legislature finds and declares all of the  
11 following:

12 (a) According to the Environmental Water Account Operating  
13 Principles Agreement, the environmental water account will  
14 expire on September 30, 2004, unless extended by written  
15 agreement among the management agencies and project agencies.

16 (b) The Environmental Water Account Operating Principles  
17 Agreement also state that before the environmental water account  
18 expires, the management agencies and project agencies will assess  
19 the success of environmental water account operations and  
20 analyze the potential impacts from new facilities and expanded  
21 conveyance capacity. The agencies will then determine the  
22 appropriate size and composition of an environmental water  
23 account, as well as the environmental water account's sharing in  
24 the benefits from new facilities, in the fifth and future years.

25 (c) If the Environmental Water Account is extended, it is the  
26 intent of the Legislature to enact subsequent legislation requiring  
27 that not less than 50 percent of the funds made available pursuant  
28 to subdivision (d) of Section 79550 for acquisition of water for the  
29 CALFED environmental water account be expended for  
30 long-term water purchase contracts and water rights.

31 SEC. 16. Section 79560.5 is added to the Water Code, to read:

32 79560.5. The department and the board shall develop a joint  
33 process for soliciting and reviewing proposals for grants pursuant  
34 to Section 79560 to reduce the complexity and confusion of the  
35 grant application process and to encourage greater coordination  
36 and collaboration in funding between state agencies and programs.

37 SEC. 17. Section 79562.5 is added to the Water Code, to read:

38 79562.5. (a) Funds made available pursuant to Section  
39 79560 shall be administered by the department and the board in  
40 accordance with this section.

(b) Grants shall be awarded on a statewide competitive basis.

~~(c) The department and the board shall develop project solicitation and evaluation guidelines. The guidelines may include a provision that authorizes the department and the board to consider whether or not a project benefits an economically disadvantaged community or a severely economically disadvantaged community for the purposes of imposing requirements relating to matching funds. The guidelines shall include a preference for projects that provide a net environmental benefit.~~

*(c) The department and the board shall jointly develop project solicitation and evaluation guidelines. Before developing the draft solicitation and evaluation guidelines, the department and the board, at a minimum, shall jointly hold one public meeting to receive public comments on the scope and other potential aspects of the guidelines. Considering the public comments, the department and the board shall jointly develop draft solicitation and evaluation guidelines that are consistent with law and state programs and policies. The department and the board, at a minimum, shall publish the draft solicitation and evaluation guidelines on their respective Internet Web sites.*

(d) The department and the board shall inform the Legislature as to the project solicitation and evaluation guidelines developed under this section. Funds for awarding grants pursuant to Section 79560 are available for allocation 60 days after the date on which the department and the board inform the Legislature.

(e) Beginning January 1, 2005, the department and the board shall each inform the Legislature as to the recipient and the amount of each grant awarded during the previous fiscal year under this chapter. The information shall include data on the geographic distribution of grants awarded under this chapter and the intended public and environmental benefit those grants provide. The information shall also include data on the balance of funds available under this chapter for grants in that current fiscal year and future fiscal years.

(f) (1) It is the intent of the Legislature that the department award grants under this chapter on behalf of projects that are consistent with an adopted integrated regional water management plan that provides regional benefits similar to those provided by

1 the implementation of a regional plan prepared in accordance with  
2 Part 2.2 (commencing with Section 10530) of Division 6.

3 (2) For the purposes of paragraph (1), an “integrated regional  
4 water management plan” is a plan that is adopted by more than one  
5 jurisdiction and addresses water quality and ecosystem restoration  
6 needs, and may include components relating to flood  
7 management, water supply reliability, groundwater recharge and  
8 management, or any other purpose that is consistent with this  
9 chapter.

10 SEC. 18. Section 79564.1 is added to the Water Code, to read:

11 79564.1. (a) Of the funds made available by Section 79560,  
12 not less than 40 percent shall be available for projects in northern  
13 California and not less than 40 percent be available for projects in  
14 southern California, to the maximum extent possible, subject to a  
15 determination by the administering agency that each project meets  
16 all of the requirements of this chapter.

17 (b) For the purposes of this section, “southern California”  
18 means the Counties of San Diego, Imperial, Riverside, Orange,  
19 Los Angeles, San Bernardino, and Ventura.

20 (c) For the purposes of this section, “northern California”  
21 means all California counties except those identified in  
22 subdivision (b).

23 SEC. 19. Section 79564.5 is added to the Water Code, to read:

24 79564.5. ~~(a) To be eligible for financing by the department~~  
25 ~~pursuant to Section 79560.1, a project shall be consistent with an~~  
26 ~~adopted integrated regional water management plan as described~~  
27 ~~in subdivision (a) of Section 79564.~~

28 ~~(b) For the purposes of financing projects pursuant to Section~~  
29 ~~79560.1 that otherwise meet the requirements of this chapter, the~~  
30 ~~department shall assign a preference to all of the following~~  
31 ~~projects:~~

32 ~~(1) Projects that implement enforceable programs that have a~~  
33 ~~clearly defined process for achieving and maintaining water~~  
34 ~~quality standards. For the purpose of this paragraph “enforceable~~  
35 ~~programs” means \_\_\_\_.~~

36 ~~(2) Projects that implement best management practices in~~  
37 ~~accordance with “Phase II” of the national pollution discharge~~  
38 ~~elimination system stormwater program as set forth in Part 122 of~~  
39 ~~Title 40 of the Code of Federal Regulations.~~

~~(3) Projects that implement an approved total maximum daily load program, implement best management practices in accordance with waivers granted by, or waste discharge requirements prescribed by, a regional board or the state board, or implement a watershed management plan approved by a regional board or the state board.~~

SEC. 20. Section 79568.5 is added to the Water Code, to read:

79568.5. It is the intent of the Legislature in subsequent legislation to allocate fifty million dollars (\$50,000,000) from funds available pursuant to Section 79568 as a minimum state contribution or matching contribution for federal funds or funds obtained from other sources, to assist in the implementation of the preferred alternative or other related restoration activities, including the program referred to in paragraph (3) of subdivision (d) of Section 2081.7 of the Fish and Game Code, at the Salton Sea or the lower Colorado River, or to assist in the development of a natural community conservation plan that is consistent with the initiative and that is implemented to effectuate the Quantification Settlement Agreement.

SEC. 21. Section 79571.5 is added to the Water Code, to read:

79571.5. Beginning January 1, 2005, each state agency expending funds pursuant to this chapter shall inform the Legislature as to the recipient and the amount of each expenditure or grant made during the previous fiscal year under this chapter. The information shall include data on the geographic distribution of expenditures and grants made under this chapter and the intended public and environmental benefit that those expenditures and grants provide. The information shall also include data on the balance of funds available under this chapter for expenditures and grants in that current fiscal year and future fiscal years.

SEC. 22. Chapter 10.7 (commencing with Section 79579) is added to Division 26.5 of the Water Code, to read:

#### CHAPTER 10.7. FUNDING REQUIREMENTS

79579. (a) No funds allocated pursuant to this division may be expended to supplant or pay for regulatory obligations of private parties under state or federal law.

~~79579.5. (a) No funds made available by this division may be allocated to the owner or operator of a facility or an individual~~

1 ~~who has been determined to be in violation of state water quality~~  
2 ~~laws within two years prior to submitting an application for a~~  
3 ~~grant, loan, or other award pursuant to this division unless, in the~~  
4 ~~judgment of the administering agency, the applicant is~~  
5 ~~demonstrating a good-faith effort to comply with those state water~~  
6 ~~quality laws.~~

7 *(b) Notwithstanding subdivision (a), loans and grants may be*  
8 *awarded to achieve regulatory compliance by economically*  
9 *disadvantaged communities if the awarding of those loans and*  
10 *grants otherwise meets the applicable requirements of this*  
11 *division. Those loans and grants may not be awarded to supplant*  
12 *or pay for fines or penalties assessed on private parties pursuant*  
13 *to state or federal law.*

